



**STATE AGENCY-PROVIDED
FOOD EXPENDITURES**

**From The Office Of State Auditor
Claire McCaskill**

*Over \$10.6 million spent on
agency-provided food in two years*

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AUDIT REPORT



Office Of
Missouri State Auditor
Claire McCaskill

September 2001

www.auditor.state.mo.us

State officials spent over \$10.6 million in 2 years on food, mostly for its employees

Auditors reviewed the costs incurred by state agencies to feed employees during various agency-sponsored events including meetings, employee retirement receptions, training sessions, employee recognition events, and public marketing events to spotlight state products. Meal costs reimbursed to employees for business-related travel expenses were not included.

Auditors focused on expenditures for fiscal years 1999 and 2000 identified in the state accounting system as “agency-provided food.” After scanning nearly 47,000 transactions from every government branch (executive, legislature, judiciary and all state agencies), auditors selected more than 500 expenditures and reviewed for adequate supporting documentation, an appropriate business purpose, and reasonableness.

Our audit found the discretion on food purchases is left up to agency personnel because state officials have not established a comprehensive food policy. As a result, the expenditures were inconsistent among agencies and sometimes excessive. The following highlights some common practices involving agency provided food:

Meetings were often scheduled around lunch hour

Many agencies frequently scheduled meetings around the lunch hour and provided a meal to the attendees. In many cases, the meetings lasted three hours or less and likely could have been scheduled in the morning or afternoon. Auditors also noted several instances in which a standing committee or an agency’s management level employees met regularly and a meal was provided, even though some attendees were in their official domicile. (See page 13 for examples.)

State funds used for employee retirement receptions

Many agencies routinely purchased food for retirement receptions of state employees, which were often held on state time. State regulations do not clearly address whether these expenditures are appropriate. Food costs varied widely with some agencies only providing cake, punch and coffee, while others hosted parties at restaurants and bars. (See pages 14-15 for examples.)

YELLOW SHEET

No price limits causes some excessive meal costs

State officials paid up to \$19 per person for breakfast; \$25 per person for lunch; and \$32 per person for dinner at agency-sponsored functions. State regulations do not provide price limits or guidelines regarding per person meal costs. (See page 16 for examples.)

Meals and receptions to market Missouri

A portion of these food expenditures were not used to feed state employees, but instead represented food provided to business persons or members of the public, in an effort to market Missouri or its products. These often involved large dollar expenditures, including such events as wine-tastings promoting Missouri's wine industry and receptions at national conventions to promote Missouri business or tourism opportunities. (See pages 17-18 for examples.)

Employees are often fed during training

Many agencies routinely provide lunch to employees during training sessions without regard to whether the participating employees were in their official domicile. The food costs varied widely as did the training locations, which included Lake of the Ozark resorts and Missouri wineries. (See pages 11-12 for examples.)

Recommendation and response

The audit recommended the Office of Administration (OA) develop comprehensive policies regarding state agency-provided food expenditures. In its response, OA indicated it will convene an interagency work group to review the current policies and recommend any changes to the commissioner.

STATE AGENCY-PROVIDED FOOD EXPENDITURES

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Michael Hartmann, Commissioner
Office of Administration
Jefferson City, MO 65102

We have audited state agency-provided food expenditures for the two years ended June 30, 2000. The scope of this audit included applicable expenditures incurred by the statewide elected officials, state legislature, the state judiciary branch and related agencies, and the sixteen executive departments. State colleges and universities were not included within the scope of this audit. In addition, food expenditures reimbursed to employees through expense accounts for business-related travel were not included within the scope of this audit. The objectives of this audit were to:

1. Determine total state agency-provided food expenditures by agency during this two-year period.
2. Determine if the state has established adequate regulations/policies to effectively monitor and limit the extent of agency-provided food expenditures.
3. Review the nature of the food expenditures being incurred by state agencies.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed applicable state laws and regulations, contacted applicable personnel of various agencies, and reviewed certain records and documents.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The following report presents our findings arising from our audit of state agency-provided food expenditures.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

May 1, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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SCOPE AND METHODOLOGY

STATE AGENCY-PROVIDED FOOD EXPENDITURES

SCOPE AND METHODOLOGY

Scope

Using information provided by the state's accounting system, we identified the object codes that related to agency-provided food expenditures during the two years ended June 30, 2000, and determined the amount of expenditures charged by the various agencies to those object codes. The applicable state accounting system object codes were: object code 2991 in fiscal year 2000 (listed in the chart of accounts as Agency Provided Food) and object code 2547 in fiscal year 1999 (listed in the chart of accounts as Department Provided Food Expenses). Total charges to these object codes during the two years ended June 30, 2000, exceeded \$10.6 million. The audit focused primarily on the expenditures charged to these object codes.

Methodology

We performed the following procedures to accomplish the audit objectives:

- Examined the fluctuations of food expenditures charged to the agency/department-provided food object codes by the various agencies during fiscal years 2000 and 1999.
- Reviewed applicable policies, regulations and procedures of the Office of Administration (OA).
- Contacted agency personnel to determine the types of expenditures charged to these object codes and to identify agency food policies, if any.
- Scanned transactions charged to these object codes by the various agencies and judgmentally selected individual transactions for review. Over 46,800 transactions were charged to these object codes in fiscal years 2000 and 1999. We selected over 500 transactions and reviewed the supporting documentation submitted by those agencies to the Office of Administration (OA). We tested these transactions for the following:
 - ❑ Was the business purpose of the expenditure adequately documented?
 - ❑ Was there adequate supporting documentation for the expenditure? We looked for various items depending on the type of expenditure: an invoice/statement, receipts, purchase/warrant request, agenda, etc.
 - ❑ Did the supporting documentation adequately reflect what was charged? We looked for a description and summary of the food items purchased, a cost of food items, and/or the charge per person served.

- ❑ Did the supporting documentation adequately reflect who was served? We looked for a list of attendees and/or general information documenting who was served.
- ❑ Did the expenditure appear to be coded to the correct object code? Using the object code definitions for agency/department provided food, we determined whether the expenditure was charged to the proper object code.
- ❑ Did the expenditure appear reasonable and/or necessary? To determine the reasonableness and/or necessity of the expenditure, we considered the following:
 1. Business purpose
 2. Supporting documentation
 3. What was charged
 4. Who was served
 5. Amount of the entire expenditure
 6. Amount per person
 7. Time the food was served in relation to the state business conducted
 8. Frequency of the same types of expenditures
 9. Whether or not the employees were in their official domicile.

Limitations

- During our selection of transactions for review, it was noted that the state's database [of both Statewide Accounting for Missouri (SAM) and Statewide Advantage for Missouri (SAM II) systems] did not require agencies to include a description or purpose of the expenditure. Therefore, the information maintained in the state's database did not always provide adequate information.
- The OA could not locate and provide some of the supporting documents requested. OA officials indicated that the conversion to the new state accounting system (from SAM to SAM II) resulted in some filing problems. In addition, the OA indicated fiscal year 2000 expenditure documentation had not been received from some agencies.

OBSERVATIONS AND RESULTS

STATE AGENCY-PROVIDED FOOD EXPENDITURES

OBSERVATIONS AND RESULTS

Missouri's state agencies expended more than \$10.6 million for agency-provided food during the two years ended June 30, 2000. This amount primarily represents the expenditures charged to agency-provided food object codes.

Over \$10.6
million spent
on agency-
provided food
in two years

The Office of Administration (OA), which oversees the expenditure of state funds, has defined these food expenditures as: "Expenses for food, beverages, and related supplies provided at agency sponsored functions. These expenses may include charges for refreshments at training sessions or meetings for state employees and the general public." OA provided this definition as a guideline for the types of food expenditures that should be charged to these object codes.

The following table presents food expenditures by agency for fiscal years (FY) 2000 and 1999:

State Agency-Provided Food Expenditures

<i>Agency/Department</i>	<i>FY 2000</i>	<i>FY 1999</i>
<i>Governor*</i>	\$ 4,956	5,811
<i>Lt. Governor</i>	0	93
<i>Secretary of State</i>	22,164	30,715
<i>State Auditor</i>	4,207	2,552
<i>State Treasurer</i>	4,477	3,961
<i>Attorney General</i>	50,733	52,368
<i>Legislature</i>	21,303	47,848
<i>Judiciary</i>	214,077	175,100
<i>Public Defender</i>	120,316	9,742
<i>Office of Administration</i>	87,189	82,215
<i>Department of Agriculture</i>	98,504	49,325
<i>Department of Conservation</i>	239,077	74,891
<i>Department of Corrections</i>	708,850	752,034
<i>Department of Economic Development</i>	360,420	319,248
<i>Department of Elementary and Secondary Education</i>	1,199,354	1,392,205
<i>Department of Health</i>	277,811	242,525
<i>Department of Higher Education **</i>	33,058	11,321
<i>Department of Insurance</i>	4,108	1,025
<i>Department of Labor and Industrial Relations</i>	40,735	103,524
<i>Department of Mental Health</i>	238,881	364,994
<i>Department of Natural Resources</i>	84,907	116,001
<i>Department of Public Safety</i>	173,340	181,575
<i>Department of Revenue</i>	57,755	49,205
<i>Department of Social Services</i>	1,117,914	923,542
<i>Department of Transportation ***</i>	<u>255,653</u>	<u>299,281</u>
Total	\$ 5,419,789	5,291,101

* The amounts presented for the Office of the Governor exclude food expenditures at the mansion during fiscal years 2000 and 1999. The mansion food expenditures totaled \$56,083 in fiscal year 2000 and \$33,428 in fiscal year 1999.

** The fiscal year 2000 expenditure amount for the Department of Higher Education represents the amounts charged to object code 2481 "Food Services." The department charged agency-provided food expenditures to this object code during that year.

*** The fiscal year 1999 expenditure amount for the Department of Transportation came from a department audit report dated January 3, 2001 (Report No. 2001-02). This amount was obtained from department records.

As indicated in the footnotes to the table, where practical we presented amounts that were more reflective of the actual expenditures incurred for agency-provided food. The amounts presented above may be understated or overstated due to instances where agencies charged an expenditure to the wrong

object code. In addition, the conversion to the new state accounting system (SAM II) appears to have resulted in some large fluctuations from year to year, primarily due to the methods used by agencies to charge or record expenditures. Also, some of the amounts presented above include expenditures related to seminar/conference expenses paid by the state, but offset by registration fees charged to non-state attendees. This appeared to be particularly true for the Department of Elementary and Secondary Education. It was not practical to identify and adjust the amounts presented for these factors.

The state lacks a comprehensive food policy.

State officials have not established comprehensive food policies or regulations regarding agency-provided food. As a result, policies and practices among the various agencies are inconsistent and some expenditures appear to be in excess of amounts necessary to conduct state business. The Office of Administration (OA) is responsible for monitoring and approving state expenditures and, pursuant to Section 33.030(3), RSMo 2000, the OA has the duty to preapprove claims and accounts, and certify them to the State Treasurer for payment. OA officials indicated their compliance auditors refer to 1 CSR (Code of State Regulations) 10-3.010 (Preapproval of Claims and Accounts) and 1 CSR 10-11.010 (State of Missouri Travel Regulations) when approving claims. 1 CSR 10-3.010 provides that claims must have a business relationship and be properly documented. That regulation also identifies certain expenses that would generally not be allowable. 1 CSR 10-11.010 provides that state officials/employees are not allowed meals in their official domiciles. An exception is made when a meal is incurred as part of a meeting or conference.

Inconsistent policies led to excessive spending

We were informed the OA's compliance auditors' review of food expenditures includes looking for an agenda, a stated purpose, or a program, as well as a list or number of attendees. OA officials indicated that if an unusual expenditure is noted, the compliance auditors will follow-up on the situation. However, OA officials indicated the compliance auditors will normally just look for proper documentation and they rarely question whether an expenditure is prudent or necessary. OA officials further indicated that the compliance auditors cannot review every expenditure item because of the volume of transactions.

The regulations noted above provide only limited guidance regarding agency-provided food expenditures. As a result, agency officials are given much discretion in determining the nature and extent of agency-provided food expenditures at their respective agencies. Because the state lacks comprehensive food expenditure policies, there is a lack of consistency among agencies as to what they consider appropriate food expenditures, how much should be allowed, or how it should be documented.

Current regulations provide limited guidance

Several agencies have established internal policies that pertain to food-related expenditures, which provide guidance in this area in addition to the OA regulations. We noted five agencies (the Department of Elementary and Secondary Education, Department of Health, Department of Natural Resources, Department of Revenue, and the Department of Transportation) that have established a policy that relates to agency-provided food expenditures in some respect.

Some of the policies that have been established were very limited in scope and only relate to a certain type of food expenditures (i.e. food expenditures related to retirement receptions). The Department of Health established a food expenditure policy in February 2001. In addition, officials of the Department of Transportation, Department of Natural Resources, and Department of Social Services – Division of Family Services indicated they were currently reviewing any existing policies and reevaluating what food purchases would be allowed.

During our review of over 500 food expenditure purchases involving the various agencies, we noted several practices, which are discussed below. These practices appear to be the result, in part, of the state's lack of comprehensive food policies.

Meals are regularly provided during employee training sessions.

Most agency officials said the majority of their food expenditures involved food provided during training sessions. Our review of expenditure items found that many agencies routinely provide lunch to the employees if the training is for most or all of a day. Much of this food was provided without regard to whether the participating employees were trained in their official domicile or whether the training was held near eating establishments. The cost of food expenses at training sessions varied widely. Some examples of these follow:

Most food is provided during employee training sessions

- The Department of Transportation paid \$4,900 to a resort at the Lake of the Ozarks for a one and a half day conference of the Roadside Managers held in April 2000. The food costs of this conference totaled \$2,835. Twenty-three employees attended the meeting, although the department paid for thirty participants. This difference was apparently due to cancellations that came in after the department signed the contract. The attending managers are from all over Missouri and the meetings are usually held twice a year, once in Jefferson City and once in a district location. This was the first managers' conference held at the Lake of the Ozarks. Department officials indicated they chose the resort because they could not find reasonable lodging in Jefferson City due to the legislature being in session.
- The Department of Labor and Industrial Relations paid \$1,180 (over \$27 a person) to a Cape Girardeau restaurant for one dinner at a legal staff conference of the Worker's Compensation Division. Forty-three employees attended this four-day conference in April 1999. The first day of the conference included golf, hotel check-in, and an evening cookout. The staff that played golf paid for the golf fees and did not charge this time to the state. The training sessions started the following day. The dinner mentioned above took place on the conference's second day.

- The Department of Health paid \$1,669 for food during a three-day Evidence-Based Decision Making Public Health Seminar held in October 1999 in St. Louis. The average cost for breakfast, lunch, and snacks per person was approximately \$16 per day. This semi-annual training was for department employees and county health department employees.
- The Department of Public Safety – Division of Fire Safety paid \$1,192 to a Jefferson City hotel for food for a summer staff meeting held in July 1999. This expenditure included items such as coffee, soda, and 65 lunch buffets at approximately \$14 per person.
- The Department of Social Services paid \$629 for food during a Division of Family Services "Worker Basic Training" held in late-November/early-December 1999 in Kansas City. Although all of the 17 attendees were in their official domicile, lunch and refreshments were provided for all four days of the training. The attendees were all new hires in the regional office.
- The Mid-Missouri Mental Health Center in Columbia, an operating facility of the Department of Mental Health, held its staff retreat at a Rocheport winery in November 1998. This winery is approximately 20 minutes from their Columbia location. About 15 staff members attended this retreat, which lasted from 10 a.m. to 3 p.m. Because the staff drove 20 minutes from Columbia to Rocheport, the facility considered this out of domicile and provided lunch. The retreat cost a total of \$356, which included a \$75 fee to reserve the space. The department staff said the retreat was held at the winery to "promote group unity and team building. It was held away from the facility to avoid interruptions and to have a change of location that would also help promote the bonding and teamwork."

It is sometimes necessary to incur food expenditures related to employee training; however, such instances should be infrequent and costs should be kept to a minimum. If the employees being trained are all within their official domiciles, or when the drive to the site is minimal, it would appear that providing food would not generally be necessary. A policy limiting food expenditures provided at employee training sessions would likely result in significant savings to the state.

Limiting food during training could save money

Meals provided at meetings were not always necessary.

Our review found that many agencies frequently schedule meetings around the lunch hour. We noted instances in which officials at various agencies scheduled meetings from 10 a.m. to 1 p.m., 10:30 a.m. to 1:30 p.m., 11 a.m. to 1 p.m., 11:30 a.m. to 1:30 p.m. and even 12 p.m. to 1 p.m. calling these "working lunches." Yet in many cases, the applicable agency did not include a meeting agenda with the documentation filed with OA. In some cases, when we asked for an agenda, the agency could not provide one. Because many of these meetings lasted 3 hours or less, it is likely many of the meetings could have been scheduled in the morning or afternoon and adjourned before lunch

Meetings are frequently scheduled around the lunch hour

or at the end of the day. Some agencies indicated various reasons for why a meeting might be scheduled at these times, including staff availability and travel time needed for out-of-town employees.

Various agencies provided meals for employees after a meeting was over or before a meeting started. For example, we noted several instances in which an agency paid for a meal at noon even though the meeting did not start until 1 p.m. We also noted several instances of agencies paying for lunch at the end of a morning meeting or a dinner at the end of an afternoon meeting. These meals were provided to employees both within and outside their official domiciles.

Some agencies are providing meals for groups of employees who meet on a frequent basis. We noted several instances in which a standing committee or an agency's management level employees met regularly and lunch was provided. These meetings were held within the official domicile of at least some of the applicable committee members or management level employees. This practice resulted in meals being provided regularly to these individuals.

Some examples are listed below.

- The Department of Natural Resources provides lunch for all its program directors at monthly meetings usually scheduled from 11:30 a.m. to 1:30 p.m. at local Jefferson City restaurants. These meal costs totaled \$598, \$861, and \$753 for the March 1999, April 1999, and February 2000 meetings, respectively. It appears 80-100 employees generally attend these meetings from across the state. No agendas for these meetings were filed with OA. Department officials indicated attendees receive updates on management issues and exchange ideas. At some meetings, the directors recognize "Employees of the Month" and introduce new staff.
- The Office of Administration paid \$60 to a winery in Hermann, Missouri to rent a private wine cellar for a June 2000 luncheon meeting involving three OA employees. OA officials indicated they could not hold this meeting in the state office building because of the needed discussion of "sensitive" personnel issues that required a "high degree of concentration." Therefore, the three Jefferson City domiciled employees drove to Hermann to meet and have lunch from 10 a.m. to 3 p.m.

Current regulations allow for food to be provided while state business is being conducted; however, it appears that some agencies may be purposely scheduling their meetings around meal times, resulting in additional food expenses. A more detailed policy limiting food expenditures provided during employee meetings would likely result in significant savings to the state.

Food is generally provided at retirement receptions.

Many agencies appear to be routinely incurring food expenses related to receptions for retiring employees. While performing a search of the descriptions of individual expenditure transactions recorded in the state's accounting system, we noted 95 expenditure transactions, totaling \$7,166, related to "retirement" receptions in fiscal year 2000. However, these transactions represent only a fraction of the expenditures related to retirement functions and only reflect those expenditures where the agency entered "retirement" in the line description. Of the five retirement reception expenditures in fiscal year 2000 that we reviewed, only one of the transactions included "retirement" in the description. The food expenses related to those five retirement receptions totaled over \$2,500.

Total spent for retirement receptions is unknown

It is unclear under the Code of State Regulations (1 CSR 10-3.010) whether providing food for retirement receptions/functions is an appropriate expenditure. These regulations note that claims may not be allowed related to "... the purchase of goods or services which are not apparently or cannot be substantially justified as directly related to the transaction of state business. For example, employee parties, ...employee gifts..." These regulations make an exception for "the purchase of retirement ... gifts...and other recognition award gifts if reasonable in relation to the circumstances of the award and primarily represent a token of recognition and not a reward with a cash equivalent or substantial monetary value." These regulations also indicate "employee recognition events should be at a nominal price per person attending."

The various agencies handle the employee retirement receptions/functions differently. Some agencies have established internal policies regarding such functions. For example, the Department of Transportation's past policy regarding food at retirement receptions provided that such expenses can include "the purchase of cake, coffee, napkins, punch, etc." The Department of Elementary and Secondary Education's policy states that for "Department level recognition (i.e., Employee of the Month, Retirement, etc.), cake and punch will be allowed." We also noted instances where agencies hosted retirement receptions outside the workplace at restaurants and bars. In these cases, the agencies bought the food (appetizers or a meal) and the employees bought the beverages, including liquor. It appears that retirement receptions are generally held on state time.

Some examples of these types of expenditures included:

- The Office of the State Courts Administrator paid \$1,080 to a Jefferson City hotel for a retirement reception in June 2000. All agency employees were invited to the event. Approximately 50-75 employees attended, along with another 50-75 individuals who knew the two retirees. Some of the purchases included three fruit, cheese, and vegetable trays at \$185 per tray and four fiesta platters at \$25 per platter. The event started at 3:00 p.m. and ended at 5:00 p.m., and the employees in attendance were allowed to use administrative leave during this time.

- The Department of Elementary and Secondary Education paid \$532 to a restaurant for a retirement luncheon for the outgoing Department Director that was held in conjunction with a State Board of Education meeting in June 2000. This expenditure included 19 meals at \$28 each.
- The Department of Transportation reimbursed an employee \$381 for food items for a retirement reception that was held in January 2000. The purchase included several pounds of mints and peanuts and 20 cheesecakes at \$12 each.

While it appears most agencies incur expenses related to retirement receptions, it does not appear necessary to pay such costs from state funds. For certain agencies, if food is provided at a retirement reception, the employees donate it.

Food is often provided at various employee recognition events.

Various agencies provide food for employee recognition events and in some cases the expenditures may not be in compliance with state regulations. According to 1 CSR 10-3.010: “claims for the expenses of receptions for employee recognition events should be at a nominal price per person attending.” These regulations do not define what is considered “nominal” or an appropriate “employee recognition event.”

Regulations
are unclear on
allowable
recognition
expenditures

The recognition events we reviewed varied widely in the cost per person and the reasons for the events. Some examples of these types of expenditures are listed below.

- The Department of Corrections-Division of Probation and Parole holds annual recognition events for regional staff divisions to recognize employees’ years of service. A fiscal year 1999 event in one region for 315 employees cost \$6,909, or approximately \$22 per person. This agency also held a recognition dinner for an outgoing board member at a cost of \$237, or over \$21 per person at a Jefferson City restaurant.
- The Department of Revenue held a reception in June 1999 to honor an employee transferring to a different state agency. Food costs of this reception totaled \$400, with about 160 people attending at a cost of \$2.50 per person.
- Several employees from all 16 executive departments, the Public Defenders Office, and the State Auditor’s Office attended an annual Governor’s Torch of Excellence Awards Banquet in September 2000 that recognized diversity efforts among state agencies. This dinner was held at a Jefferson City hotel and cost \$45 per person. The actual food cost per person was approximately \$17. The total food cost for this event was \$5,445. The event involved 255 state employees and 19 other individuals not affiliated with the state. In the case of the State Auditor’s Office, the costs of any guests of the staff were not paid by the state.

- The Office of Administration paid \$850 in meal costs to a Jefferson City restaurant and lounge for an evening “SAM II Post Implementation Summit and Barbecue” in July 1999. Agency officials indicated this event was held to thank the employees who had worked on and implemented the new statewide accounting system. Approximately 100 employees attended this function.

Meal costs per person were sometimes excessive.

We noted various expenditures for food provided to state officials or employees in which the cost per person appeared excessive. Agencies paid up to \$19.25 per person for breakfast; \$25.34 per person for lunch; and \$32.00 per person for dinner.

OA regulations do not provide price limits/guidelines regarding per person meal costs. We did note an instance in which an OA compliance auditor questioned the high per meal cost of an expenditure item and asked for further explanation, but still approved the invoice for payment.

Regulations
do not provide
per person
limits

Some examples of where the cost per person appeared excessive were:

- The Office of the Public Defender paid \$80,810 to a resort at the Lake of the Ozarks for meals during the Winter Workshop-Statewide Training held in January 2000. Some of these expenditures included the following: \$4,189 for a Kansas City Strip dinner (at \$32 per person) and a \$6,526 afternoon break serving “Death by Chocolate” desserts (at \$13 per person). According to Public Defender’s Office officials, this is an annual event organized by the Public Defender’s office in which they decide the menu.
- The Office of the State Courts Administrator (OSCA) paid \$2,014 to a hotel for breakfast and lunch during a Leadership Development/Presiding Judges’ Meeting in September 1999. This expenditure included 45 continental breakfasts at \$19.25 each and 41 lunches at \$18.50 each. OSCA sponsored this conference and decided on the menu.
- The Secretary of State’s office paid \$2,596 to a Jefferson City hotel for food at an hour-long reception held in June 1999. The reception followed a presentation regarding diversity issues. The invitation-only event included the following groups: University students, members of the general public, state employees, and legislators. Most of this cost (\$2,244) paid for hors d’oeuvres for 150 people (at approximately \$15 per person).

Some agencies incur food expenses to help market Missouri.

Some agencies participate in events to promote Missouri and its products. Sometimes this participation involves incurring expenditures for food items. State regulations (1 CSR 10-3.010) require that claims for goods and services have a “clear business relationship to the agency work program.” Our review disclosed the Department of Economic Development and Department of

Agriculture incur food expenditures in conjunction with programs that promote tourism and Missouri products. Below are some examples of these expenditures:

- The Department of Agriculture's Grape and Wine program hosted wine-tastings to promote Missouri's grape industry. Costs totaling \$8,133 were incurred by the state at a May 2000 "Taste Missouri Wine Country" event held at a Kansas City art museum. Food provided at the event was described as "heavy appetizers" and included caviar, smoked salmon, duck, and imported cheeses. The appetizers cost a total of \$5,400 (\$18 per person) and represented the majority of the event cost. The event cost was offset by event ticket sales which collected \$1,270.

This program also hosted a September 2000 event at a St. Louis history museum. Costs for this event totaled \$18,782, and included a menu similar to the Kansas City event previously discussed. The hors d'oeuvres (at \$23 per person) was more than half of the event costs. Other expenses included \$3,100 for servers and \$1,200 for valet parking. The event costs were offset by the ticket sales, which collected \$5,795.

The two events mentioned above were open to the public, who paid up to \$35 to attend. Elected officials and some state employees were also invited at no cost. The Grape and Wine program is partially funded through the 36-cent tax Missouri wineries pay on each gallon of wine sold. One sixth of this tax funds the Grape and Wine program, with the remainder credited to the state's General Revenue Fund.

- The Department of Economic Development's Business Expansion and Attraction program helped fund a \$19,536 reception at a New York convention for the International Development Research Council, a professional association for corporate real estate managers. The department paid \$10,000 for the food and service (including bartenders) costs. Money from Missouri's communities and utilities paid the remaining costs, including the \$4,928 bar bill. This April 2000 reception served consultants from around the world that are active in site selection decisions.
- The Department of Economic Development, Division of Tourism paid \$50,000 to help fund a \$150,000 opening reception at a July 1999 National Association of Counties convention in St. Louis. The expenditure documentation indicated that \$50,000 went towards the \$119,000 food costs. In exchange for the sponsorships, the Division of Tourism received the association's registration list and the division mailed Missouri tourism information to the 5,000 convention attendees.
- For a number of years, the Department of Economic Development, Division of Tourism has sponsored the "Breakfast in Bed" event at the National Tour Association's (NTA) annual meeting. During this event, the division provides a breakfast to all the attendees of the NTA's national convention. The participating attendees have been greeted in the morning by a Missouri representative saying, "Wake Up to Missouri," and then served the breakfast they had requested the night before. The attendees also receive a Missouri sweatshirt.

The 1999 breakfast event in Nashville cost a total of \$102,691, and included the cost of breakfast served to the 2,291 attendees averaging \$26 a person, approximately \$12 per sweatshirt, and the travel and meal costs for the 16 tourism staff that worked the event. To decrease the event's cost in 2000, the staff served breakfast in bed only to the tour operators (about 490) and served a breakfast buffet to the remaining attendees (about 800). This event at the Salt Lake City convention cost \$50,516, with a \$19.82 per person in-bed breakfast and a \$12.60 per person buffet breakfast. The tourism staff plans to use the combination breakfast in bed and buffet at future conventions to reduce costs. The tourism staff said these are very successful events that help entice operators and group leaders to return to Missouri with tour groups.

We were unable to determine whether food expenditures, such as those noted above, are an effective means of marketing Missouri tourism and products. The Division of Tourism has studies conducted periodically to assess the impact of the state's advertising and marketing efforts; however, these studies do not show a direct correlation between specific marketing events and increased tourism in Missouri.

Impact of food provided at marketing events is unclear

Meals were provided to legislators and/or statewide elected officials.

We noted some agencies incurred food expenses involving events in which legislators and/or statewide elected officials were invited. Instances noted are discussed below.

- The Department of Agriculture paid a restaurant \$1,568 to cater a dinner in August 1999 during the Missouri State Fair for over 90 people in Sedalia. We were informed that the department hosts this invitation-only event annually. Those invited included the 24 members of the House Appropriations Committee for Natural and Economic Resources (which legislates State Fair funding), 23 members of the Governor's office and their guests, the Governor's cabinet members, statewide elected officials, state fair commissioners, and others. The House committee met at 10 a.m. on the day of the dinner and then toured the fairgrounds. Department officials said the purpose of the dinner was "to discuss the fair and long-range planning." According to department officials, the cost of a similar event held in August 2001 was paid by sponsors.
- The Department of Conservation paid \$1,143 for food during a legislative barbecue held in April 1999. According to department officials, the department held this evening event for all legislators during the legislative session. All legislators and top management officials were invited to this function. The event did not have a formal program or meeting agenda, but was rather an informal event to give department officials an opportunity to inform legislators of the agency's programs.

An additional item related to providing meals to various elected officials is Section 105.473, RSMo 2000, which identifies what expenditures should be reported to the Ethics Commission as lobbying expenses. According to this statute, the total of all expenditures are to be reported by a lobbyist:

“...for each occasion when any of the following are invited in writing:

- a) All members of the senate;
- b) All members of the house of representatives;
- c) All members of a joint committee of the general assembly or a standing committee of either the house of representatives or the senate...”

It appears the expenditures noted above were required to be reported to the Ethics Commission as lobbying expenses. We determined the expenses incurred by the Department of Agriculture were not properly reported as lobbying expenses, while the expenses incurred by the Department of Conservation were properly reported to the Ethics Commission.

Agencies did not always provide adequate documentation of food expenditures.

During our review of the individual food expenditure transactions, we noted various problems regarding the documentation submitted to the Office of Administration as follows:

- Eleven percent did not adequately describe the business purpose of the expenditure on the supporting documentation.
- Thirty percent did not have adequate supporting documentation to justify the purchase. Many of the expenditures we reviewed did not have an agenda for the meeting or event at which an agency funded the food, and/or receipts, purchase/warrant request, etc.
- Seven percent did not reflect what was charged. We noted numerous instances in which the documentation did not give a description of the food purchased, a summary of food purchased, a cost of food items, and/or the charge per person served.
- Twelve percent did not adequately reflect who was served. We noted numerous instances in which an agency did not include a list of attendees and/or general information that stated who was served.

Some food expenditures were miscoded.

Various agencies incorrectly charged expenditures to the “agency/department provided food” object codes on the state’s accounting system. In total, approximately 6 percent of the expenditures tested did not appear to fit the object code definition. For example, the Office of the Governor purchased china costing \$12,075 and charged it to one of these object codes. In some cases, agencies did not properly split an expenditure between the food portion of the costs and some other type of expenditure. For example, the Department of Elementary and Secondary Education coded nearly \$50,000 in lodging, audiovisual equipment, and other conference expenses to one of these object codes.

OVERALL CONCLUSIONS AND RECOMMENDATION

STATE AGENCY-PROVIDED FOOD EXPENDITURES

OVERALL CONCLUSIONS

State agencies have spent over \$10.6 million during the last two years on food, with most of this provided to state officials and employees. The Office of Administration relies upon certain regulations in performing its oversight responsibilities regarding the review and approval of agency-provided food expenditures. These regulations are not comprehensive and do not adequately address what types of food expenditures are allowable and proper uses of state funds. They also leave many of the decisions regarding food purchases to the discretion of the various agencies. The various examples of food expenditures cited in this report are indicative of the liberal interpretation some agencies have taken of the regulations that do exist. Due in part to the lack of comprehensive food purchases policies, the following practices were noted :

- Meals are regularly provided during employee training sessions
- Meals provided at meetings were not always necessary
- Food is generally provided at retirement receptions
- Food is often provided at employee recognition events
- Meal costs per person were sometimes excessive
- Some agencies incur food expenditures to help market Missouri
- Meals were provided to legislators and/or statewide elected officials.

In addition,

- Agencies did not always provide adequate documentation of food expenditures
- Some food expenditures were miscoded.

Considering the extent of agency-provided food expenditures, it appears the state should develop comprehensive policies regarding food purchases in an effort to control and reduce expenditures in this area.

RECOMMENDATION

The Office of Administration (OA) should review the current policies and regulations addressing this issue and develop comprehensive policies regarding state agency-provided food purchases. These policies should establish more specific guidelines regarding proper and allowable expenditures in this area, along with documentation requirements for these expenditures and the practices to be followed when recording and reporting state agency-provided food purchases. In addition, the OA should be more vigilant in its review of such expenditures to ensure state funds are used properly and efficiently.

AGENCY RESPONSE

The Office of Administration will convene an interagency work group to review the current policies and recommend any changes to these policies regarding state agency-provided food purchases. Based on the recommendations of the work group, the Commissioner will issue appropriate policies regarding state agency-provided food purchases to executive agency officials.

This report is intended for the information of the management of the state of Missouri. However, this report is a matter of public record and its distribution is not limited.

APPENDIX

APPENDIX

RELEVANT STATE REGULATIONS

1 CSR 10-3.010 (Preapproval of Claims and Accounts) states in part:

“(1) The following are types of claims certifiable as regular claims:

(A) Claims for goods and services having a clear business relationship to the agency work program and submitted for payment after delivery. The claim must be documented with an invoice billed to the state department on the vendor’s original descriptive business invoice form.

(2) The following are types of claims which may not be certified as regular claims unless special circumstances substantially justify the granting of an exception to this rule:

(A) Claims for the purchase of goods or services, which are not apparently or cannot be substantially justified as directly related to the transaction of state business. For example, employee parties, agency team uniforms, employee gifts, holiday cards and decorations, personal club memberships, memorial flowers, political and charitable contributions and traffic tickets. An exception is made for the purchase of retirement, service and other recognition award gifts which may be certified as regular claims if reasonable in relation to the circumstances of the award and primarily represent a token of recognition and not a reward with a cash equivalent or substantial monetary value. Claims for the expense of receptions for employee recognition events should be at a nominal price per person attending.”

1 CSR 10-11.010 (State of Missouri Travel Regulations) states in part:

“(15) No official or employee shall be allowed ... meals in their city of official domicile, except ... Reimbursement or direct billing may be made for agency-provided meal expenses within the city of official domicile when it is incurred as part of a department or agency required meeting or a department sponsored conference. This represents meals served to officers and employees at conferences and meetings who are interacting and conducting state business during the meal period. Direct billing and reimbursement of meals served in conjunction with agency required meetings attended by in-domicile employees shall be documented with the names of those involved or the group name with the number attending and the specific state business reason for the meeting. The state business reason can be documented in the form of an agenda, program, or other specific description.”

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